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FEBRUARY 13, 2015](#)



# COUNTYWIDE CRIMINAL JUSTICE COORDINATION COMMITTEE



October 30, 2013

TO: Supervisor Mark Ridley-Thomas, Chairman  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael Antonovich

FROM: Mark Delgado, Executive Director *MD*  
Countywide Criminal Justice Coordination Committee

SUBJECT: **REPORT BACK ON MECHANISM TO CONDUCT ANALYSIS AND  
EVALUATION OF CRIMINAL JUSTICE PROGRAMS AND AB 109**  
(Related to Item S-1 of the October 15, 2013 Board Agenda)

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On October 15, 2013, your Board instructed the Chief Executive Office, in consultation with the Countywide Criminal Justice Coordination Committee, to report back on plans to establish a mechanism to conduct analysis and evaluation of criminal justice programs and AB 109 efforts. CEO and CCJCC staff met to discuss and coordinate current efforts in this regard, which are outlined below.

## Current Efforts

The Countywide Criminal Justice Coordination Committee's primary charge is to coordinate multi-agency responses to criminal justice issues and assist with program development and analysis. To that end, CCJCC has been working with the CEO and partnering agencies to establish a pathway for ongoing evaluation of the County's criminal justice and AB 109 programming efforts.

In particular, CCJCC is drafting a Request for Statement of Qualifications (RFSQ) for criminal justice research and evaluation services. This RFSQ will establish a Master Agreement list of vendors to provide consultant services encompassing:

- Evaluation of criminal justice and rehabilitative treatment programs to determine their efficacy in promoting public safety and reducing recidivism;
- Statistical analysis of crime and offender populations;
- Analysis, validation, and norming of criminal justice assessment tools; and
- Research and development of programs, policies, and practices.

CCJCC has consulted with the CEO and multiple departments on this initiative to ensure that this approach responds to the broad range of criminal justice/treatment program evaluation and research needs. The draft RFSQ will be provided to County Counsel for review by the end of October. It is anticipated that the RFSQ will be released by mid-November, with the goal of presenting to the Board a Master Agreement list for approval by February 2014.

When implemented, the Master Agreement will provide the County with consultant resources that will significantly augment our evaluation and resource capacity for both AB 109 and criminal justice efforts in general. Ultimately, the establishment of this Master Agreement will help promote evaluation-oriented, results-driven decision-making in criminal justice initiatives and programming going forward.

### **Funding**

The Master Agreement list of qualified vendors will be made available to all County departments. The Master Agreement will not include funding. Should an agency or County department seek use of a Master Agreement vendor, that agency/department will be responsible for identifying, securing, and allocating funding.

The CEO and CCJCC have identified three potential funding scenarios:

#### ***AB 109 Programs***

Funds have been set aside within CCJCC's AB 109 budget allocation for evaluation/analysis of AB 109 and County implemented programs. CCJCC and partnering departments are identifying priority AB 109 evaluation areas so that activities can be initiated swiftly following establishment of the Master Agreement. The CEO has also indicated that funding from the AB 109 Contingency Reserve is available for program evaluation services. Contingency Reserve funding will require CEO recommendation and Board approval.

#### ***Grant-Funded Programs***

Departments receiving grant funds are often required by the granting agency to include an evaluation component to their funded program. In such cases, services available through the Master Agreement would streamline the process to implement an evaluation; grant funds can be budgeted to support the evaluation activities.

#### ***Net-County Cost (NCC) Programs***

The CEO's Office has discussed the potential for a countywide evaluation policy for NCC-funded programs – specifically, a policy that promotes and prioritizes the ongoing evaluation of criminal justice activities.

The CEO, CCJCC, and partnering departments will develop a Public Safety Program Evaluation Policy proposal for Board consideration. Conceptually, departments requesting to implement or expand programming with NCC funding would be requested to set aside funds for program evaluation.

The amount of funding required will be subject to the scope of the program and whether a short-term or longitudinal evaluation is appropriate. As this is a preliminary concept, participation and input from departments will be vital for developing policy proposals and practices that promote the identification and funding of effective programs and termination of ineffective programs. We anticipate returning to the Board with a Public Safety Program Evaluation Policy recommendation in early Spring 2014.

Each Supervisor  
October 30, 2013  
Page 3 of 3

We believe that through the establishment of a Master Agreement for Research and Evaluation Services, our justice partners and the County as a whole will be far better positioned to determine program effectiveness on an ongoing basis. Such analysis and information will be critical to operational, funding, and policy decision-making efforts.

We will continue to keep your offices apprised of the status of this effort. In the meantime, your staff may contact Mark Delgado, Executive Director of CCJCC, at (213) 974-8399 or Georgia Mattera, Senior Assistant CEO, at (213) 893-2374 with any questions.

c:     Chief Executive Officer  
       Board of Supervisors Executive Officer  
       County Counsel



JOHN NAIMO  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
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LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

February 13, 2015

TO: Supervisor Michael D. Antonovich, Mayor  
Supervisor Hilda L. Solis  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Don Knabe

FROM: John Naimo  
Auditor-Controller

A handwritten signature in cursive script, reading "John Naimo", written over the printed name and title.

SUBJECT: **PUBLIC SAFETY REALIGNMENT ACT (AB109) REVIEW - LOWER  
RISK DEPARTMENTS - FISCAL YEAR 2013-14**

In October 2013, your Board directed the Chief Executive Office (CEO) to develop a schedule of recommended audits for all departments that receive Public Safety Realignment Act (AB109) expenditure reimbursements. Our attached audit schedule (Attachment II) identifies seven departments as lower risk: Department of Health Services (DHS), Department of Public Health (DPH), District Attorney (DA), Public Defender (PD), Alternate Public Defender (APD), Fire Department (Fire), and the Executive Office of the Board of Supervisors (Executive Office).

On September 29, 2014, we issued our report for one of the seven departments, Fire. We completed a review of the remaining six lower risk departments' AB109 expenditure reimbursement claims for the 2<sup>nd</sup> and 3<sup>rd</sup> quarters (October 2013 to March 2014) of Fiscal Year 2013-14, including an evaluation of the departments' internal controls over their AB109 fiscal operations. We noted that all six departments can improve the reporting of their AB109 costs. The following are examples of areas for improvement:

- All six departments did not accurately report overhead costs. Specifically, DHS, DPH, APD, and the Executive Office did not claim any overhead costs and do not have up-to-date overhead rates to use when preparing reimbursement claims. In addition, the DA and PD over-claimed approximately \$15,300 of expenditures by including overhead as both a direct and indirect charge.

- Three of the six departments did not accurately report salary and employee benefit (S&EB) costs. Specifically, APD under-claimed \$159,000 in S&EB costs due to reporting budgeted instead of actual costs, and DPH under-claimed \$111,000 since they did not include any employee benefit (EB) costs. In addition, the DA did not apply the EB rate to all applicable costs, and claimed certain salary costs as both direct and indirect charges.

Details of these and other findings are included in Attachment I.

We discussed the results of our review with management from each of the six departments. All six departments indicated general agreement with our findings. All six departments also indicated that they have or will take immediate action to address/correct the issues identified and will ensure the accuracy of their future AB109 claimed costs.

We thank the departments' management and staff for their cooperation and assistance during our reviews. If you have any questions, please contact me, or your staff may contact Robert Smythe at (213) 253-0100.

JN:AB:RS:MP

#### Attachments

- c: Sachi A. Hamai, Interim Chief Executive Officer  
Mitchell H. Katz, M.D., Director, Department of Health Services  
Cynthia A. Harding, M.P.H., Interim Director, Department of Public Health  
Jeffrey Gunzenhauser, M.D., M.P.H., Interim Health Officer, Department of Public Health  
Jackie Lacey, District Attorney  
Ronald L. Brown, Public Defender  
Janice Y Fukai, Alternate Public Defender  
Patrick Ogawa, Acting Executive Officer, Board of Supervisors  
Public Information Office  
Audit Committee

**LOWER RISK DEPARTMENTS  
PUBLIC SAFETY REALIGNMENT ACT (AB109) REVIEW**

**Background and Scope**

The State establishes an annual amount of Public Safety Realignment Act (AB109 or Program) funding to the County. The County is required to use the Program's funding for services directed toward designated incarcerated individuals and post-prison release populations, such as certain categories of State parolees. AB109 transferred community reintegration and supervision responsibility for these parolees from the State to the County. The State provides funding on a monthly basis to the Auditor-Controller (A-C) who holds these funds in trust, and the Chief Executive Office (CEO) recommends an annual AB109 funding budget in consultation with each department, subject to Board of Supervisors (Board) approval.

The CEO and A-C require departments to submit expenditure claims with their AB109 costs (i.e., salary and employee benefits, applicable overhead rates, etc.) on a quarterly basis. The CEO and A-C then reimburse each department from the trust account up to their quarterly budget.

In October 2013, the Board directed the CEO to develop a schedule of recommended audits for all departments that receive AB109 expenditure reimbursements. Our attached audit schedule (Attachment II) identifies seven departments as lower risk: Department of Health Services (DHS), Department of Public Health (DPH), District Attorney (DA), Public Defender (PD), Alternate Public Defender (APD), Fire Department (Fire), and the Executive Office of the Board (Executive Office).

On September 29, 2014, we issued our report for one of the seven departments, Fire. We reviewed the remaining six lower risk departments' 2<sup>nd</sup> and 3<sup>rd</sup> quarter (October 2013 to March 2014) AB109 claimed expenditures for Fiscal Year 2013-14, totaling approximately \$12.1 million (see chart below). The purpose of our review was to ensure the claimed expenditures were accurate, complete, and were used for AB109 activities/functions. We also evaluated the adequacy of their internal controls.

**AB109 Claims Summary  
For October 2013 to March 2014**

<b>Department</b>	<b>Review Period Claim Amount</b>
Department of Health Services	\$ 4,000,000
Department of Public Health	5,100,000
District Attorney	1,400,000
Public Defender	825,000
Alternate Public Defender	259,000
Executive Office of the Board	500,000
<b>Total:</b>	<b>\$ 12,084,000</b>

### **Overhead Costs**

The CEO and A-C require departments to claim applicable overhead costs. During our review, we noted:

- DPH, DHS, APD, and the Executive Office did not claim overhead costs. All four departments do not have up-to-date overhead rates to use when preparing reimbursement claims. Therefore, we could not determine the amount of under-claimed overhead. Departmental management indicated that they will work with the A-C Accounting Division to develop up-to-date overhead rates, submit claim adjustments for unclaimed overhead, and will ensure that they include overhead in future reimbursement claims.
- The DA and PD claimed approximately \$15,300 (\$15,000 and \$300 respectively) of services & supplies (S&S) costs as both direct and indirect (overhead) charges. This effectively double-claims for the same costs. Departmental management indicated that they will submit claim adjustments for over-claimed S&S charges, and will ensure that they do not directly charge S&S costs that are already included in their overhead rates in future reimbursement claims.
- The DA did not apply the overhead rate to overtime earnings as required. We re-calculated the overhead for the period of October 2013 to March 2014, and noted that the DA under-claimed their overhead costs by approximately \$1,500. DA management indicated that they will submit a claim adjustment for the under-claimed overhead, and will ensure that they apply the overhead rate to overtime earnings in future reimbursement claims.

### **Salaries and Employee Benefit Costs**

The CEO and A-C require departments to claim salary and employee benefit (S&EB) costs that are directly identifiable to AB109. During our review, we noted:

- APD claimed S&EB costs based on budget instead of reporting actual costs. As a result, APD under-claimed S&EB costs by approximately \$159,000. APD management indicated that they will submit a claim adjustment for the under-claimed S&EB costs, and will ensure that they report actual costs in future reimbursement claims.
- DPH did not claim employee benefit (EB) costs. As a result, DPH under-claimed EB costs by approximately \$111,000. DPH management indicated that they will submit a claim adjustment for the under-claimed EB costs, and will ensure that they include EB costs in future reimbursement claims.
- The DA did not apply the EB rate to all applicable costs (e.g., bonuses, sick time earnings, etc.). We re-calculated the EB charges to the applicable costs for the period of October 2013 to March 2014, and noted that the DA under-claimed their EB costs by approximately \$30,000. DA management indicated that they will submit a claim adjustment for the under-claimed EB costs, and will ensure



that they apply the EB rate to all applicable costs in future reimbursement claims.

- The DA claimed approximately \$4,000 of certain salary costs (i.e., elective annual leave buyback) as both direct and indirect charges. This effectively double-claims for the same costs. DA management indicated that they will submit a claim adjustment for the over-claimed salary costs, and will ensure that they do not directly claim salary costs that are included in their EB rates in future reimbursement claims.

### **DHS Parole Violator Service Costs**

Prior to AB109, DHS received approximately \$2.9 million annually from the State for providing health care services to parole violators awaiting revocation proceedings. The State no longer provides this funding since parole violators are now the responsibility of the County under AB109.

We noted that DHS claims a portion of the lost revenue each quarter, instead of tracking and claiming actual costs incurred for providing services to parole violators. Specifically, from October 2013 to March 2014, DHS claimed approximately \$1.5 million in lost revenue as AB109 costs. DHS management indicated that they claim lost revenue because they do not have procedures in place to track the actual costs incurred for providing these services.

DHS management indicated that they are evaluating the feasibility of implementing procedures to track actual costs incurred for providing services to parole violators. We will follow-up on the Department's progress in tracking and claiming actual costs as part of our scheduled AB109 audits in Fiscal Year 2014-15.

### **DPH Payments to Contractors**

DPH's Substance Abuse Prevention and Control Division (SAPC) is responsible for some of the services provided to the AB109 population. SAPC contracts with treatment centers to provide public health services to the AB109 population. While the majority of the treatment centers provide services to only AB109 populations, certain Out-of-Network centers provide services to both the AB109 and general population. DPH claimed approximately \$789,000 in payments to Out-of-Network treatment centers from October 2013 to March 2014.

We noted that DPH could not ensure that the claimed payments to Out-of-Network treatment centers were only for services provided to AB109 populations since contractor invoices do not differentiate the type of populations serviced, and SAPC does not have procedures to identify the type of population serviced.

SAPC management indicated that they will implement procedures to determine the amount paid to Out-of-Network treatment centers for services provided only to the AB109 population. In addition, SAPC management indicated that they will identify any over-claimed costs in the prior periods and will submit a claim adjustment if necessary.



WILLIAM T FUJIOKA  
Chief Executive Officer

County of Los Angeles  
**CHIEF EXECUTIVE OFFICE**

Kenneth Hahn Hall of Administration  
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(213) 974-1101  
<http://ceo.lacounty.gov>

February 25, 2014

To: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

A handwritten signature in black ink, appearing to be "W. Fujioka", is written over the printed name and title.

Board of Supervisors  
GLORIA MOLINA  
First District

MARK RIDLEY-THOMAS  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

**PUBLIC SAFETY REALIGNMENT: FIRST QUARTERLY REPORT ON BUDGET  
AND PROGRAM PERFORMANCE MEASURES (ITEM 94-B, AGENDA OF  
OCTOBER 8, 2013)**

On October 8, 2013, the Board of Supervisors directed the Chief Executive Officer to initiate quarterly budget and performance reports for the Public Safety Realignment Act (AB109), including:

- a) A summary of revenue and expenditures;
- b) Narratives to explain the variances between expenditures and budget;
- c) A comprehensive list of items that have been funded with one-time revenue, but require ongoing funding commitments; and
- d) Updates on programmatic priorities and achievements of stated outcomes.

In addition, the Board requested the development of a fiscal audit schedule and options to evaluate the AB109 programs and services delivered by County departments and community-based organizations.

**REVENUE AND EXPENDITURES**

The State's Fiscal Year (FY) 2013-14 Budget allocated \$338,130,000 to the County for AB109 programs and services. As of January 31, 2014, the County has received \$156,968,000 or 46 percent of the budget allocation.

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Each Supervisor  
February 25, 2014  
Page 2

The Auditor-Controller (A-C) established trust accounts specifically for the remittance of AB109 funds from the State. Although funds are allocated to County departments, these funds remain in the trust accounts and are not distributed to the departments until the Chief Executive Office (CEO) and A-C approve quarterly claims for reimbursement of AB109 related costs. Claims are submitted during the month following the close of each quarter. Given the State's AB109 remittance schedule runs from a September through August calendar, compared to the County's fiscal calendar, a cap has been placed on the quarterly claims for cash-flow purposes. Any claims exceeding the quarterly cap will need to be absorbed by the department until the end of the FY; whereupon, any unreimbursed claims will be reconciled up to each department's annual AB109 budget allocation. Should a department's AB109 claims result in a fiscal year-end deficit, the CEO may recommend the Board utilize any remaining allocations from other departments or tap into the AB109 Reserve to make the department whole; otherwise, the department will absorb those AB109 costs within its regular budget.

For FY 2013-14 County departments have been reimbursed \$136,420,000 or 40 percent of the budget for AB109 claims submitted through January 31, 2014 (Attachment I). The second quarter claims for several departments are still pending CEO and A-C review prior to disbursement.

As reflected in Attachment I, the Probation Department (Probation) and Sheriff's Department (Sheriff) have exceeded their respective quarterly caps by a combined \$8,094,000. We anticipate Probation and Sheriff will end the FY with AB109 deficits; however, there may be savings in the other departments that may be used to mitigate AB109's impact on their regular budget.

#### PROGRAM DIRECTORY AND PERFORMANCE MEASURES

A comprehensive directory of AB109 programs, funded with ongoing and one-time funds, has been developed to report on each department's quarterly expenditures and progress toward meeting stated annual performance targets. The current quarterly report reflects the department's performance status as of January 1, 2014, and the first quarter reimbursed claims (Attachment II).

#### FISCAL AUDIT SCHEDULE

The A-C has concluded a preliminary review of each department, including interviewing department managers and staff and reviewing expenditure reports, claims, and supporting documentation. The A-C subsequently developed a list of five factors to evaluate the risk presented by each department: 1) the amount of budgeted AB109

Each Supervisor  
February 25, 2014  
Page 3

funding; 2) each department's internal controls and methodology for tracking and reporting expenditures; 3) the type of service provided; 4) the materiality of prior audit findings; and 5) the types of AB109 related expenditures incurred by each department.

Based on these audit factors, the A-C proposes the following fiscal audit schedule:

<u>FY 2013-14</u>	
January to March 2014	April to Jun 2014
<b>Relative High Risk Departments:</b> <ul style="list-style-type: none"> <li>• Mental Health</li> <li>• Probation</li> <li>• Sheriff</li> </ul>	<b>Relative Lower Risk Departments:</b> <ul style="list-style-type: none"> <li>• Alternative Public Defender</li> <li>• District Attorney</li> <li>• Executive Office of the Board (CCJCC and ISAB)</li> <li>• Fire</li> <li>• Health Services</li> <li>• Public Defender</li> <li>• Public Health</li> </ul>
<u>FY 2014-15*</u>	
Quarterly Audits	Annual Audit
<ul style="list-style-type: none"> <li>• Mental Health</li> <li>• Probation</li> <li>• Sheriff</li> </ul>	<ul style="list-style-type: none"> <li>• Alternative Public Defender</li> <li>• District Attorney</li> <li>• Executive Office of the Board</li> <li>• Fire</li> <li>• Health Services</li> <li>• Public Defender</li> <li>• Public Health</li> </ul>

\* The audit schedule for each department is subject to FY 2013-14 audit findings.

#### INDEPENDENT PROGRAM EVALUATIONS

The Countywide Criminal Justice Coordinating Committee (CCJCC), in consultation with the CEO, is developing a Request for Statement of Qualifications (RFSQ) for criminal justice research and evaluation services. The RFSQ will be used to establish a Master Agreement list of vendors to provide independent expert consultant services. The Master Agreement list will be made available to all County departments and partner agencies to evaluate both AB109 programs and other criminal justice related programs.

Each Supervisor  
February 25, 2014  
Page 4

We had anticipated presenting the Master Agreement for Board approval in February 2014; however, some complications were encountered as to how departments would administratively access a CCJCC Master Agreement. These contract oversight issues are currently under review by the A-C and County Counsel. We will keep your Board apprised as we make progress toward releasing the RFSQ.

Should you have any questions, please have a member of your staff contact either Georgia Mattera, Public Safety, at (213) 893-2374 or David Turla, Public Safety, at (213) 974-1178.

WTF:GAM:SW  
DT:llm

c: Executive Office, Board of Supervisors  
County Counsel  
District Attorney  
Sheriff  
Alternate Public Defender  
Auditor-Controller  
Fire  
Health Services  
Mental Health  
Public Defender  
Public Health  
Probation